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December 21, 2005

VIA FEDEX

Mr. Charles Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Drive  
Columbia, South Carolina 29210

Re: Docket No. 2003-140-E  
Report of Sale

RECEIVED  
2005 DEC 22 PM 2:50  
COMMUNICATIONS SECTION  
✓

Dear Mr. Terreni:

Enclosed herewith for filing with the Commission is an original and one copy of a Report of Sale, together with exhibits, related to the recent issuance by Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. of \$400,000,000 aggregate principal amount of its First Mortgage Bonds. Please return a filed, stamped copy in the enclosed self-addressed, stamped envelope.

Please do not hesitate to contact me if you should have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'Patricia Kornegay-Timmons'.

Patricia Kornegay-Timmons  
Associate General Counsel

PK-T:adb

Enclosures

c: N. Manly Johnson, III  
Timothy S. Goettel, Esq.

229769

STATE OF SOUTH CAROLINA  
BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2003-140-E

In the Matter of

CAROLINA POWER & LIGHT COMPANY

Ex Parte

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REPORT OF SALE

In connection with Order No. 2003-311 in Docket No. 2003-140-E issued in this proceeding on May 7, 2003, Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (the "Company") reports that on November 30, 2005, it issued, sold and delivered to J.P. Morgan Securities Inc. and Wachovia Capital Markets, LLC, as representatives of the several underwriters, \$400,000,000 principal amount of the Company's First Mortgage Bonds, 5.25% Series due 2015 (the "Bonds") for the price of 99.658% of the principal amount thereof. The commissions paid to the underwriters of the Bonds were \$2,600,000. The net proceeds, after expenses, realized from the issuance, sale and delivery of the Bonds were approximately \$395,400,000, of which the Company expects to use approximately \$237,500,000 to repay the Company's outstanding commercial paper balance, approximately \$16,600,000 to repay the outstanding balance of the Company's notes payable to affiliated companies and the remainder for general corporate purposes. Expenses incurred in connection with the issuance and sale of the Bonds were estimated to be \$600,000. Immediately following the subject issuance, there were no additional securities available for issuance pursuant to the Order in Docket No. 2003-140-E.

The Company files herewith copies of the Seventy-Fourth Supplemental Indenture, dated as of November 1, 2005 and the Underwriting Agreement, dated November 28, 2005, in the final forms in which the same were executed and delivered, marked Exhibits A and B, respectively.

Respectfully submitted this 21 day of December, 2005.

CAROLINA POWER & LIGHT COMPANY  
d/b/a Progress Energy Carolinas, Inc.

By:   
Thomas R. Sullivan  
Treasurer

NORTH CAROLINA  
WAKE COUNTY

Sworn to and subscribed before me,

this 21<sup>st</sup> day of December, 2005.

  
Notary Public

My commission expires Oct 25, 2007

**CAROLINA POWER & LIGHT COMPANY  
d/b/a PROGRESS ENERGY CAROLINAS, INC.**

**TO**

**THE BANK OF NEW YORK  
(formerly Irving Trust Company)**

**AND**

**DOUGLAS J. MACINNES**

**(successor to Frederick G. Herbst, Richard H. West, J.A. Austin, E.J. McCabe, G. White,  
D.W. May, J.A. Vaughan, Joseph J. Arney, Wafaa Orfy and W.T. Cunningham)**

*as Trustees under Carolina Power &  
Light Company's Mortgage and Deed  
of Trust, dated as of May 1, 1940*

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## **Seventy-fourth Supplemental Indenture**

Providing among other things for  
First Mortgage Bonds, 5.25% Series due 2015 (Eighty-fifth Series)

Dated as of November 1, 2005

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## SEVENTY-FOURTH SUPPLEMENTAL INDENTURE

INDENTURE, dated as of November 1, 2005, by and between CAROLINA POWER & LIGHT COMPANY (d/b/a PROGRESS ENERGY CAROLINAS, INC.), a corporation of the State of North Carolina, whose post office address is 410 South Wilmington Street, Raleigh, North Carolina 27601-1768 (hereinafter sometimes referred to as the "Company"), and THE BANK OF NEW YORK (formerly Irving Trust Company), a corporation of the State of New York, whose post office address is 101 Barclay Street, New York, New York 10286 (hereinafter sometimes referred to as the "Corporate Trustee"), and DOUGLAS J. MACINNES (successor to Frederick G. Herbst, Richard H. West, J.A. Austin, E.J. McCabe, G. White, D.W. May, J.A. Vaughan, Joseph J. Arney, Wafaa Orfy and W.T. Cunningham), whose post office address is 101 Barclay Street, New York, New York 10286 (the Corporate Trustee and the Individual Trustee being hereinafter together sometimes referred to as the "Trustees"), as Trustees under the Mortgage and Deed of Trust, dated as of May 1, 1940 (hereinafter referred to as the "Mortgage"), which Mortgage was executed and delivered by the Company to Irving Trust Company (now The Bank of New York) and Frederick G. Herbst to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, reference to which Mortgage is hereby made, this Indenture (hereinafter sometimes referred to as the "Seventy-fourth Supplemental Indenture") being supplemental thereto:

WHEREAS, the Mortgage was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, the Mortgage was indexed and cross-indexed in the real and chattel mortgage records in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, an instrument, dated as of June 25, 1945, was executed by the Company appointing Richard H. West as Individual Trustee in succession to said Frederick G. Herbst (deceased) under the Mortgage, and by Richard H. West accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, an instrument, dated as of December 12, 1957, was executed by the Company appointing J.A. Austin as Individual Trustee in succession to said Richard H. West (resigned) under the Mortgage, and by J.A. Austin accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, an instrument, dated as of April 15, 1966, was executed by the Company appointing E.J. McCabe as Individual Trustee in succession to said J.A. Austin (resigned) under the Mortgage, and by E.J. McCabe accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, by the Seventeenth Supplemental Indenture mentioned below, the Company, among other things, appointed G. White as Individual Trustee in succession to said E.J. McCabe (resigned), and G. White accepted said appointment; and

WHEREAS, by the Nineteenth Supplemental Indenture mentioned below, the Company, among other things, appointed D.W. May as Individual Trustee in succession to said G. White (resigned), and D.W. May accepted said appointment; and

WHEREAS, by the Thirty-fifth Supplemental Indenture mentioned below, the Company, among other things, appointed J.A. Vaughan as Individual Trustee in succession to said D.W. May (resigned), and J.A. Vaughan accepted said appointment; and

WHEREAS, an instrument, dated as of June 27, 1988, was executed by the Company appointing Joseph J. Arney as Individual Trustee in succession to said J.A. Vaughan (resigned) under the Mortgage, and by Joseph J. Arney accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, by the Forty-fifth Supplemental Indenture mentioned below, the Company, among other things, appointed Wafaa Orfy as Individual Trustee in succession to said Joseph J. Arney (resigned), and Wafaa Orfy accepted said appointment; and

WHEREAS, by the Forty-ninth Supplemental Indenture mentioned below, the Company, among other things, appointed W.T. Cunningham as Individual Trustee in succession to said Wafaa Orfy (resigned), and W.T. Cunningham accepted said appointment; and

WHEREAS, by the Sixty-sixth Supplemental Indenture mentioned below, the Company, among other things, appointed Douglas J. MacInnes as Individual Trustee in succession to said W.T. Cunningham (resigned), and Douglas J. MacInnes accepted said appointment; and

WHEREAS, such instruments were indexed and cross-indexed in the real and chattel mortgage records in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, effective January 1, 2003, the Company began doing business under the name Progress Energy Carolinas, Inc., without changing the legal name of the Company; and certificates of doing business by the Company under such name were recorded in all counties in the State of North Carolina and South Carolina in which this Seventy-fourth Supplemental Indenture is to be recorded and were filed and indexed and cross-indexed in the real property records in each of such counties; and

WHEREAS, by the Seventy-second Supplemental Indenture mentioned below, the Company, among other things, reserved the right, without any consent or other action by holders of the bonds of the Eighty-first Series, the Eighty-second Series or of any subsequent series (which includes the Eighty-fifth Series hereinafter referred to), to amend certain provisions of the Mortgage, as supplemented, as provided in Article II of said Seventy-second Supplemental Indenture; and

WHEREAS, by the Mortgage, the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired intended to be subject to the lien thereof; and

WHEREAS, for said purposes, among others, the Company executed and delivered to the Trustees the following supplemental indentures:

<u>Designation</u>	<u>Dated as of</u>
First Supplemental Indenture .....	January 1, 1949
Second Supplemental Indenture.....	December 1, 1949
Third Supplemental Indenture.....	February 1, 1951
Fourth Supplemental Indenture.....	October 1, 1952
Fifth Supplemental Indenture.....	March 1, 1958
Sixth Supplemental Indenture .....	April 1, 1960

<u>Designation</u>	<u>Dated as of</u>
Seventh Supplemental Indenture.....	November 1, 1961
Eighth Supplemental Indenture.....	July 1, 1964
Ninth Supplemental Indenture .....	April 1, 1966
Tenth Supplemental Indenture .....	October 1, 1967
Eleventh Supplemental Indenture .....	October 1, 1968
Twelfth Supplemental Indenture.....	January 1, 1970
Thirteenth Supplemental Indenture.....	August 1, 1970
Fourteenth Supplemental Indenture .....	January 1, 1971
Fifteenth Supplemental Indenture .....	October 1, 1971
Sixteenth Supplemental Indenture .....	May 1, 1972
Seventeenth Supplemental Indenture .....	May 1, 1973
Eighteenth Supplemental Indenture .....	November 1, 1973
Nineteenth Supplemental Indenture .....	May 1, 1974
Twentieth Supplemental Indenture .....	December 1, 1974
Twenty-first Supplemental Indenture.....	April 15, 1975
Twenty-second Supplemental Indenture .....	October 1, 1977
Twenty-third Supplemental Indenture .....	June 1, 1978
Twenty-fourth Supplemental Indenture .....	May 15, 1979
Twenty-fifth Supplemental Indenture .....	November 1, 1979
Twenty-sixth Supplemental Indenture .....	November 1, 1979
Twenty-seventh Supplemental Indenture.....	April 1, 1980
Twenty-eighth Supplemental Indenture .....	October 1, 1980
Twenty-ninth Supplemental Indenture .....	October 1, 1980
Thirtieth Supplemental Indenture.....	December 1, 1982
Thirty-first Supplemental Indenture.....	March 15, 1983
Thirty-second Supplemental Indenture .....	March 15, 1983
Thirty-third Supplemental Indenture.....	December 1, 1983
Thirty-fourth Supplemental Indenture .....	December 15, 1983
Thirty-fifth Supplemental Indenture .....	April 1, 1984
Thirty-sixth Supplemental Indenture .....	June 1, 1984
Thirty-seventh Supplemental Indenture .....	June 1, 1984
Thirty-eighth Supplemental Indenture .....	June 1, 1984
Thirty-ninth Supplemental Indenture .....	April 1, 1985
Fortieth Supplemental Indenture.....	October 1, 1985
Forty-first Supplemental Indenture .....	March 1, 1986
Forty-second Supplemental Indenture .....	July 1, 1986
Forty-third Supplemental Indenture .....	January 1, 1987
Forty-fourth Supplemental Indenture.....	December 1, 1987
Forty-fifth Supplemental Indenture.....	September 1, 1988
Forty-sixth Supplemental Indenture.....	April 1, 1989
Forty-seventh Supplemental Indenture .....	August 1, 1989
Forty-eighth Supplemental Indenture.....	November 15, 1990
Forty-ninth Supplemental Indenture .....	November 15, 1990
Fiftieth Supplemental Indenture.....	February 15, 1991
Fifty-first Supplemental Indenture .....	April 1, 1991
Fifty-second Supplemental Indenture .....	September 15, 1991
Fifty-third Supplemental Indenture.....	January 1, 1992
Fifty-fourth Supplemental Indenture.....	April 15, 1992
Fifty-fifth Supplemental Indenture.....	July 1, 1992
Fifty-sixth Supplemental Indenture.....	October 1, 1992

<u>Designation</u>	<u>Dated as of</u>
Fifty-seventh Supplemental Indenture .....	February 1, 1993
Fifty-eighth Supplemental Indenture .....	March 1, 1993
Fifty-ninth Supplemental Indenture .....	July 1, 1993
Sixtieth Supplemental Indenture .....	July 1, 1993
Sixty-first Supplemental Indenture .....	August 15, 1993
Sixty-second Supplemental Indenture.....	January 15, 1994
Sixty-third Supplemental Indenture .....	May 1, 1994
Sixty-fourth Supplemental Indenture .....	August 15, 1997
Sixty-fifth Supplemental Indenture.....	April 1, 1998
Sixty-sixth Supplemental Indenture .....	March 1, 1999
Sixty-seventh Supplemental Indenture.....	March 1, 2000
Sixty-eighth Supplemental Indenture.....	April 1, 2000
Sixty-ninth Supplemental Indenture.....	June 1, 2000
Seventieth Supplemental Indenture.....	July 1, 2000
Seventy-first Supplemental Indenture.....	February 1, 2002
Seventy-second Supplemental Indenture .....	September 1, 2003
Seventy-third Supplemental Indenture.....	March 1, 2005

which supplemental indentures (other than said Sixty-fifth Supplemental Indenture and said Sixty-seventh Supplemental Indenture) were recorded in various Counties in the States of North Carolina and South Carolina, and were indexed and cross-indexed in the real and chattel mortgage or security interest records in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, no recording or filing of said Sixty-fifth Supplemental Indenture in any manner or place is required by law in order to fully preserve and protect the security of the bondholders and all rights of the Trustees or is necessary to make effective the lien intended to be created by the Mortgage or said Sixty-fifth Supplemental Indenture; and said Sixty-seventh Supplemental Indenture was recorded only in Rowan County, North Carolina to make subject to the lien of the Mortgage, as supplemented, certain property of the Company located in said County intended to be subject to the lien of the Mortgage, as supplemented, all in accordance with Section 42 of the Mortgage; and

WHEREAS, the Mortgage and said First through Seventy-third Supplemental Indentures (other than said Sixty-fifth and said Sixty-seventh Supplemental Indentures) were or are to be recorded in all Counties in the States of North Carolina and South Carolina in which this Seventy-fourth Supplemental Indenture is to be recorded; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as supplemented, the following series of First Mortgage Bonds:



<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
3-3/4% Series due 1965 .....	\$46,000,000	None
3-1/8% Series due 1979 .....	20,100,000	None
3-1/4% Series due 1979 .....	43,930,000	None
2-7/8% Series due 1981 .....	15,000,000	None
3-1/2% Series due 1982 .....	20,000,000	None
4-1/8% Series due 1988 .....	20,000,000	None
4-7/8% Series due 1990 .....	25,000,000	None
4-1/2% Series due 1991 .....	25,000,000	None
4-1/2% Series due 1994 .....	30,000,000	None
5-1/8% Series due 1996 .....	30,000,000	None
6-3/8% Series due 1997 .....	40,000,000	None
6-7/8% Series due 1998 .....	40,000,000	None
8-3/4% Series due 2000 .....	40,000,000	None
8-3/4% Series due August 1, 2000 .....	50,000,000	None
7-3/8% Series due 2001 .....	65,000,000	None
7-3/4% Series due October 1, 2001 .....	70,000,000	None
7-3/4% Series due 2002 .....	100,000,000	None
7-3/4% Series due 2003 .....	100,000,000	None
8-1/8% Series due November 1, 2003 .....	100,000,000	None
9-3/4% Series due 2004 .....	125,000,000	None
11-1/8% Series due 1994 .....	50,000,000	None
11% Series due April 15, 1984 .....	100,000,000	None
8-1/2% Series due October 1, 2007 .....	100,000,000	None
9-1/4% Series due June 1, 2008 .....	100,000,000	None
10-1/2% Series due May 15, 2009 .....	125,000,000	None
12-1/4% Series due November 1, 2009 .....	100,000,000	None
Pollution Control Series A .....	63,000,000	None
14-1/8% Series due April 1, 1987 .....	125,000,000	None
Pollution Control Series B .....	50,000,000	None
Pollution Control Series C .....	6,000,000	None
11-5/8% Series due December 1, 1992 .....	100,000,000	None
Pollution Control Series D .....	48,485,000	None
Pollution Control Series E .....	5,970,000	None
12-7/8% Series due December 1, 2013 .....	100,000,000	None
Pollution Control Series F .....	34,700,000	None
13-3/8% Series due April 1, 1994 .....	100,000,000	None
Pollution Control Series G .....	122,615,000	None
Pollution Control Series H .....	70,000,000	None
Pollution Control Series I .....	70,000,000	None
Pollution Control Series J .....	6,385,000	None
Pollution Control Series K .....	2,580,000	None
Extendible Series due April 1, 1995 .....	125,000,000	None
11-3/4% Series due October 1, 2015 .....	100,000,000	None
8-7/8% Series due March 1, 2016 .....	100,000,000	None
8-1/8% Series due July 1, 1996 .....	125,000,000	None
8-1/2% Series due January 1, 2017 .....	100,000,000	None
9.174% Series due December 1, 1992 .....	100,000,000	None
9% Series due September 1, 1993 .....	100,000,000	None

<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
9.60% Series due April 1, 1991 .....	100,000,000	None
Secured Medium-Term Notes, Series A .....	200,000,000	None
8-1/8% Series due November 15, 1993.....	100,000,000	None
Secured Medium-Term Notes, Series B.....	100,000,000	None
8-7/8% Series due February 15, 2021 .....	125,000,000	None
9% Series due April 1, 2022 .....	100,000,000	None
8-5/8% Series due September 15, 2021 .....	100,000,000	\$100,000,000
5.20% Series due January 1, 1995.....	125,000,000	None
7-7/8% Series due April 15, 2004 .....	150,000,000	None
8.20% Series due July 1, 2022 .....	150,000,000	None
6-3/4% Series due October 1, 2002.....	100,000,000	None
6-1/8% Series due February 1, 2000 .....	150,000,000	None
7-1/2% Series due March 1, 2023 .....	150,000,000	None
5-3/8% Series due July 1, 1998.....	100,000,000	None
Secured Medium-Term Notes, Series C.....	200,000,000	None
6-7/8% Series due August 15, 2023 .....	100,000,000	None
5-7/8% Series due January 15, 2004 .....	150,000,000	None
Pollution Control Series L.....	72,600,000	72,600,000
Pollution Control Series M.....	50,000,000	50,000,000
6.80% Series due August 15, 2007 .....	200,000,000	200,000,000
5.95% Senior Note Series due March 1, 2009 .....	400,000,000	400,000,000
7.50% Senior Note Series due April 1, 2005 .....	300,000,000	None
Pollution Control Series N .....	67,300,000	67,300,000
Pollution Control Series O .....	55,640,000	55,640,000
Pollution Control Series P .....	50,000,000	50,000,000
Pollution Control Series Q .....	50,000,000	50,000,000
Pollution Control Series R .....	45,600,000	45,600,000
Pollution Control Series S .....	41,700,000	41,700,000
Pollution Control Series T .....	50,000,000	50,000,000
Pollution Control Series U .....	50,000,000	50,000,000
Pollution Control Series V .....	87,400,000	87,400,000
Pollution Control Series W .....	48,485,000	48,485,000
5.125% Series due 2013.....	400,000,000	400,000,000
6.125% Series due 2033.....	200,000,000	200,000,000
5.15% Series due 2015.....	300,000,000	300,000,000
5.70% Series due 2035.....	200,000,000	200,000,000

which bonds are herein sometimes referred to as bonds of the First through Eighty-fourth Series, respectively; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as said Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create a new series of bonds and to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage, as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this Seventy-fourth Supplemental Indenture, and the terms of the bonds of the Eighty-fifth Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Company, in consideration of the premises and of One Dollar to it duly paid by the Trustees at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto The Bank of New York and Douglas J. MacInnes, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all the following described properties of the Company:

All electric generating plants, stations, transmission lines, and electric distribution systems, including permanent improvements, extensions or additions to or about such electrical plants, stations, transmission lines and distribution systems of the Company; all dams, power houses, power sites, buildings, generators, reservoirs, pipe lines, flumes, structures and works; all substations, transformers, switchboards, towers, poles, wires, insulators, and other appliances and equipment, and the Company's rights or interests in the land upon which the same are situated, and all other property, real or personal, forming a part of or appertaining to, or used, occupied or enjoyed in connection with said generating plants, stations, transmission lines, and distribution systems; together with all rights of way, easements, permits, privileges, franchises and rights for or related to the construction, maintenance, or operation thereof, through, over, under or upon any public streets or highways, or the public lands of the United States, or of any State or other lands; and all water appropriations and water rights, permits and privileges; including all property, real, personal, and mixed, acquired by the Company after the date of the execution and delivery of the Mortgage, in addition to property covered by the

above-mentioned supplemental indentures (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Seventy-fourth Supplemental Indenture) all lands, power sites, flowage rights, water rights, flumes, raceways, dams, rights of way and roads; all steam and power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, steam heat and hot water plants, lines, service and supply systems, bridges, culverts, tracts, ice or refrigeration plants and equipment, street and interurban railway systems, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric and gas machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture, chattels and choses in action; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be and are as fully granted and conveyed hereby and as fully embraced within the lien hereof and the lien of the Mortgage as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED THAT the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Seventy-fourth Supplemental Indenture and from the lien and operation of the Mortgage, namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel, oil and similar materials and supplies consumable in the operation of any properties of the Company; rolling stock, buses, motor coaches, vehicles and automobiles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not

specifically pledged under the Mortgage, as heretofore supplemented, or this Seventy-fourth Supplemental Indenture or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property and rights heretofore released from the lien of the Mortgage; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage and this Seventy-fourth Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees, their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as heretofore supplemented, this Seventy-fourth Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and the Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors as Trustees of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage and had been specifically and at length described in and conveyed to the Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successor or successors in such trust under the Mortgage as follows:

## ARTICLE I

### EIGHTY-FIFTH SERIES OF BONDS

SECTION 1(A). There shall be a series of bonds designated "5.25% Series due 2015" (herein sometimes referred to as the "Eighty-fifth Series"), each of which shall also bear the descriptive title "First Mortgage Bond", and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Eighty-fifth Series shall be initially issued in the aggregate principal amount of \$400,000,000, mature on December 15, 2015, bear interest at the rate of 5.25% per annum, payable from November 30, 2005, if the date of said bonds is prior to December 15, 2005, or, if the date of said bonds is after December 15, 2005, from the June 15 or December 15 next preceding the date of said bonds, and thereafter semi-annually on June 15 and December 15 of each year, be issued as fully registered bonds in the denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and be dated as in Section 10 of the Mortgage provided, the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of

Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

Interest on bonds of the Eighty-fifth Series will be computed on the basis of a 360-day year comprised of twelve 30-day months. If a due date for the payment of interest or principal falls on a day that is not a business day, then the payment will be made on the next succeeding business day, and no interest will accrue on the amounts payable for the period from and after the original due date and until the next business day. The term "business day" means any day other than a Saturday or Sunday or day on which banking institutions in the City of New York are required or authorized to close.

(B) The bonds of the Eighty-fifth Series shall be redeemable at the option of the Company or with the Proceeds of Released Property in whole at any time, or in part from time to time, prior to maturity, upon notice as provided in Sections 52 and 54 of the Mortgage (given by mail at least 30 days and not more than 90 days prior to the date fixed for redemption (the "Redemption Date")), at a redemption price (sometimes hereinafter referred to as the "Make-Whole Redemption Price") equal to the greater of (i) 100% of the principal amount of the bonds then outstanding to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the Redemption Date to the maturity date, computed by discounting such payments, in each case, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, plus in each case accrued interest on the principal amount thereof to the Redemption Date. On and after the Redemption Date, unless the Company defaults in the payment of the Make-Whole Redemption Price and interest accrued thereon to such date, interest on the bonds of the Eighty-fifth Series, or the portions of them so called for redemption, shall cease to accrue.

"Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker and having an actual or interpolated maturity comparable to the remaining term of the bonds of the Eighty-fifth Series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the bonds of the Eighty-fifth Series.

"Comparable Treasury Price" means, with respect to any Redemption Date, (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker," means one of the Reference Treasury Dealers appointed by the Company.

"Reference Treasury Dealer," means J.P. Morgan Securities Inc., its successors, and three other primary U.S. Government securities dealers in The City of New York (a "Primary Treasury Dealer") selected by the Company; provided, however, if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company will substitute another primary treasury dealer for that dealer.

"Reference Treasury Dealer Quotations," means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m., New York time, on the third business day preceding such Redemption Date.

In case of a redemption of only a part of the bonds of the Eighty-fifth Series, the Corporate Trustee shall draw by lot, in such manner as it deems appropriate, the particular bonds of the Eighty-fifth Series, or portions of them, to be redeemed.

The Company shall deliver to the Corporate Trustee promptly upon its calculation thereof, but in any event prior to any Redemption Date for the bonds of the Eighty-fifth Series, a Treasurer's Certificate setting forth its calculation of the Make-Whole Redemption Price applicable to such redemption. The Corporate Trustee shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the Company's calculation of any Make-Whole Redemption Price of the bonds of the Eighty-fifth Series.

In lieu of stating the Make-Whole Redemption Price, notices of redemption of the bonds of the Eighty-fifth Series shall state substantially the following: "The redemption price of the bonds to be redeemed shall equal the greater of (i) 100% of the principal amount of the bonds then outstanding to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the Redemption Date to the maturity date, computed by discounting such payments, in each case, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Yield (as defined in the Seventy-fourth Supplemental Indenture) plus 15 basis points, plus in each case accrued interest on the principal amount thereof to the Redemption Date."

Except as provided herein, Article X of the Mortgage, as heretofore supplemented, shall apply to redemptions of bonds of the Eighty-fifth Series.

(C) At the option of the registered owner, any bonds of the Eighty-fifth Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations. The bonds of the Eighty-fifth Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage or agreement with respect thereto.

Bonds of the Eighty-fifth Series shall be transferable upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the Eighty-fifth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of said Series.

(D) The bonds of the Eighty-fifth Series shall be issued in registered form without coupons and shall be issued initially in the form of one or more global bonds (hereinafter

sometimes each such global bond referred to as an “Eighty-fifth Series Global Bond”) to or on behalf of The Depository Trust Company (hereinafter sometimes referred to as “DTC”), as depository therefor, and registered in the name of such depository or its nominee. Any bonds of the Eighty-fifth Series to be issued or transferred to, or to be held by or on behalf of DTC as such depository or such nominee (or any successor of such depository or nominee) for such purpose shall bear the depository legends as required or otherwise agreed to by the Corporate Trustee and the Company, and in the case of a successor depository, such legend or legends as such depository and/or the Company shall require and to which each shall agree, in each case such agreement to be confirmed in writing to the Corporate Trustee. Notwithstanding any other provision in this Seventy-fourth Supplemental Indenture, payment of interest on the bonds of the Eighty-fifth Series may be made at the option of the Company by check mailed to the registered holders thereof at their registered address, and, that with respect to an Eighty-fifth Series Global Bond, the Company may make payments of principal of, the Make-Whole Redemption Price, if applicable, and interest on such Eighty-fifth Series Global Bond pursuant to and in accordance with such arrangements as are agreed upon by the Company and the depository for such Eighty-fifth Series Global Bond.

Except as otherwise provided by this Seventy-fourth Supplemental Indenture, an Eighty-fifth Series Global Bond may be transferred, in whole but not in part and in the manner provided in the Mortgage, only to a nominee of the depository for such Eighty-fifth Series Global Bond, or to the depository, or to a successor depository for such Eighty-fifth Series Global Bond selected or approved by the Company, or to a nominee of such successor depository.

If at any time the depository for an Eighty-fifth Series Global Bond notifies the Company that it is unwilling or unable to continue as the depository for such Eighty-fifth Series Global Bond or if at any time the depository for an Eighty-fifth Series Global Bond shall no longer be eligible or in good standing under any applicable statute or regulation, the Company shall appoint a successor depository with respect to such Eighty-fifth Series Global Bond. If a successor depository for such Eighty-fifth Series Global Bond is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Corporate Trustee, upon receipt of a Company request for the authentication and delivery of bonds of the Eighty-fifth Series in the form of definitive certificates in exchange for such Eighty-fifth Series Global Bond, will authenticate and deliver, without service charge, bonds of the Eighty-fifth Series in the form of definitive certificates of like tenor and terms in an aggregate principal amount equal to the principal amount of the Eighty-fifth Series Global Bond in exchange for such Eighty-fifth Series Global Bond. Such bonds of the Eighty-fifth Series will be issued to and registered in the name of such person or persons as are specified by the depository.

The Company may at any time and in its sole discretion determine that any bonds of the Eighty-fifth Series issued or issuable in the form of one or more Eighty-fifth Series Global Bonds shall no longer be represented by such Eighty-fifth Series Global Bond or Bonds. In any such event the Company will execute, and the Corporate Trustee, upon receipt of a Company order for the authentication and delivery of bonds of the Eighty-fifth Series in the form of definitive certificates in exchange in whole or in part for such Eighty-fifth Series Global Bond or Bonds, will authenticate and deliver, without service charge, to each person specified by the depository, bonds of the Eighty-fifth Series in the form of definitive certificates of like tenor and terms in an aggregate principal amount equal to the principal amount of such Eighty-fifth Series Global Bond or the aggregate principal amount of such Eighty-fifth Series Global Bonds in exchange for such Eighty-fifth Series Global Bond or Bonds.

If the Company so elects in a Treasurer’s Certificate, the depository may surrender bonds of the Eighty-fifth Series issued in the form of an Eighty-fifth Series Global Bond in exchange in



whole or in part for bonds of the Eighty-fifth Series in the form of definitive certificates of like tenor and terms on such terms as are acceptable to the Company and such depositary. Thereupon the Company shall execute, and the Corporate Trustee shall authenticate and deliver, without service charge, (i) to each person specified by such depositary a new bond or bonds of the Eighty-fifth Series of like tenor and terms and any authorized denomination as requested by such person in aggregate principal amount equal to and in exchange for such person's beneficial interest in the Eighty-fifth Series Global Bond; and (ii) to such depositary a new Eighty-fifth Series Global Bond of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Eighty-fifth Series Global Bond and the aggregate principal amount of bonds of the Eighty-fifth Series delivered to holders thereof.

In any exchange provided for in any of the preceding three paragraphs, the Company shall execute and the Corporate Trustee shall authenticate and deliver bonds of the Eighty-fifth Series in the form of definitive certificates in authorized denominations. Upon the exchange of the entire principal amount of an Eighty-fifth Series Global Bond for bonds of the Eighty-fifth Series in the form of definitive certificates, such Eighty-fifth Series Global Bond shall be canceled by the Corporate Trustee. Except as provided in the immediately preceding paragraph, bonds of the Eighty-fifth Series issued in exchange for an Eighty-fifth Series Global Bond shall be registered in such names and in such authorized denominations as the depositary for such Eighty-fifth Series Global Bond, acting pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Corporate Trustee. Provided that the Company and the Corporate Trustee have so agreed, the Corporate Trustee shall deliver such bonds of the Eighty-fifth Series to the persons in whose names the bonds of the Eighty-fifth Series are so to be registered.

Any endorsement of an Eighty-fifth Series Global Bond to reflect the principal amount thereof, or any increase or decrease in such principal amount, shall be made in such manner and by such person or persons as shall be specified in or pursuant to any applicable letter of representations or other arrangement entered into with, or procedures of, the depositary with respect to such Eighty-fifth Series Global Bond or in a Company request. Subject to the terms of the Mortgage, the Corporate Trustee shall deliver and redeliver any such Eighty-fifth Series Global Bond in the manner and upon instructions given by the person or persons specified in or pursuant to any applicable letter of representations or other arrangement entered into with, or procedures of, the depositary with respect to such Eighty-fifth Series Global Bond or in any applicable Company request. If a Company request is so delivered, any instructions by the Company with respect to such Eighty-fifth Series Global Bond contained therein shall be in writing but need not be accompanied by or contained in a Treasurer's Certificate and need not be accompanied by an opinion of counsel.

The depositary or, if there be one, its nominee, shall be the holder of an Eighty-fifth Series Global Bond for all purposes under the Mortgage and the bonds of the Eighty-fifth Series and beneficial owners with respect to such Eighty-fifth Series Global Bond shall hold their interests pursuant to applicable procedures of such depositary. The Company, the Corporate Trustee, any bond registrar, any paying agent and any other agent of the Company or the Corporate Trustee shall be entitled to deal with such depositary for all purposes of the Mortgage relating to such Eighty-fifth Series Global Bond (including the payment of principal, the Make-Whole Redemption Price, if applicable, and interest and the giving of instructions or directions by or to the beneficial owners of such Eighty-fifth Series Global Bond as the sole holder of such Eighty-fifth Series Global Bond and shall have no obligations to the beneficial owners thereof (including any direct or indirect participants in such depositary)). None of the Company, the Corporate Trustee, any paying agent, any bond registrar or any other agent of the Company or the Corporate Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a beneficial owner in or

pursuant to any applicable letter of representations or other arrangement or transaction entered into with, or procedures of, the depositary with respect to such Eighty-fifth Series Global Bond or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests, or for any acts or omissions of a depositary.

## ARTICLE II

### RESERVATION OF AMENDMENTS TO CERTAIN PROVISIONS OF THE MORTGAGE

SECTION 2. The Company reserved in Section 4 of the Seventy-second Supplemental Indenture the right, without any consent or other action by holders of bonds of the Eighty-first Series, the Eighty-second Series or any subsequently created series (which includes the Eighty-fifth Series), to amend the Mortgage, as supplemented, so as to add the words “ten-sevenths of” at the beginning of subdivision (b) of clause (B) of Section 4 of the Mortgage.

SECTION 3. The Company reserved in Section 5 of the Seventy-second Supplemental Indenture the right, without any consent or other action by holders of bonds of the Eighty-first Series, the Eighty-second Series or any subsequently created series (which includes the Eighty-fifth Series), to amend the Mortgage, as supplemented, so as to replace the phrase “within the fifteen (15) calendar months” on the second and third lines of clause (A) of Section 7 of the Mortgage with the phrase “within the eighteen (18) calendar months”.

SECTION 4. The Company reserved in Section 6 of the Seventy-second Supplemental Indenture the right, without any consent or other action by holders of bonds of the Eighty-first Series, the Eighty-second Series or any subsequently created series (which includes the Eighty-fifth Series), to amend the Mortgage, as supplemented, so as to delete the word “and” at the end of subdivision (3) of the excepted property clause on page 121 of the Mortgage and to add a subdivision (5) to such clause immediately after the phrase “ordinary course of its business;” to read “and (5) any property which does not constitute Property Additions, Funded Property or Funded Cash, as hereinafter defined;”.

SECTION 5. The Company reserved in Section 7 of the Seventy-second Supplemental Indenture the right, without any consent or other action by holders of bonds of the Eighty-first Series, the Eighty-second Series or any subsequently created series (which includes the Eighty-fifth Series), to amend the Mortgage, as supplemented, as follows:

To amend subsection 3(a) of Section 59 of the Mortgage to read in its entirety as follows:

“(a) a description in reasonable detail of the property to be released;”

To amend subsection 3(b) of Section 59 of the Mortgage to read in its entirety as follows:

“(b) (i) the Fair Value and (ii) the Cost (or as to Property Additions constituting Funded Property of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to Section 4 hereof, then such Fair Value in lieu of Cost), in the opinion of the signers, of the property to be released; and the Cost (or as to Property Additions constituting Funded Property of which the Fair Value to the Company at the time the same

became Funded Property was less than the Cost as determined pursuant to Section 4 hereof, then such Fair Value in lieu of Cost), in the opinion of the signers, of any portion thereof that is Funded Property;"

To amend subsection (4) of Section 59 of the Mortgage by replacing the first six lines thereof with the following:

"(4) an amount in cash, to be held by the Corporate Trustee as part of the Mortgaged and Pledged Property, equivalent to the amount, if any, by which the Cost (or as to Property Additions constituting Funded Property of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to Section 4 hereof, then such Fair Value in lieu of Cost) of the property to be released, as specified in the Engineer's Certificate provided for in subdivision (3) above, exceeds the aggregate of the following items:"

SECTION 6. The Company reserved in Section 8 of the Seventy-second Supplemental Indenture the right, without any consent or other action by holders of bonds of the Eighty-first Series, the Eighty-second Series or any subsequently created series (which includes the Eighty-fifth Series), to amend the Mortgage, as supplemented, so as to add the words "an amount equal to ten-sevenths of" at the beginning of the first sentence of subsection (4)(c) of Section 59 of the Mortgage.

SECTION 7. The Company reserved in Section 9 of the Seventy-second Supplemental Indenture the right, without any consent or other action by holders of bonds of the Eighty-first Series, the Eighty-second Series or any subsequently created series (which includes the Eighty-fifth Series), to amend the Mortgage, as supplemented, as follows:

To amend Section 60 of the Mortgage by inserting "(I)" before the word "Unless" in the first line thereof, and by adding the following subsection (II) at the end of Section 60:

"(II) Unless the Company is in default in the payment of the interest on any bonds then Outstanding hereunder or one or more of the Defaults defined in Section 65 hereof shall have occurred and be continuing, the Company may obtain the release of any of the Mortgaged and Pledged Property that is not Funded Property, except cash then held by the Corporate Trustee (provided, however, that Prior Lien Bonds deposited with the Corporate Trustee shall not be released or surrendered except as provided in Article IX hereof and obligations secured by purchase money mortgage deposited with the Corporate Trustee shall not be released except as provided in Section 61 hereof), and the Corporate Trustee shall release all its right, title and interest in and to the same from the Lien hereof upon application of the Company and receipt by the Corporate Trustee of the following (in lieu of complying with the requirements of Section 59 hereof):

(1) a Treasurer's Certificate describing in reasonable detail the property to be released and requesting such release, and stating:

(a) that the Company is not in default in the payment of interest on any bonds then Outstanding hereunder and that none of the Defaults defined in Section 65 hereof have occurred and are continuing;

(b) that the property to be released is not Funded Property;  
and

(c) that (except in any case where a governmental body or agency has exercised a right to order the Company to divest itself of such property) such release is in the opinion of the signers desirable in the conduct of the business of the Company;

(2) an Engineer's Certificate, made and dated not more than ninety (90) days prior to the date of such application, stating:

(a) a description of the property to be released;

(b) the Fair Value, in the opinion of the signers, of the property (or securities) to be released;

(c) that in the opinion of the signers such release will not impair the security under this Indenture in contravention of the provisions hereof; and

(d) that the Company has Property Additions constituting property that is not Funded Property (not including any Property Additions to be released) of a Cost or Fair Value to the Company (whichever is less) of not less than one dollar (\$1) (after making any deductions and any additions pursuant to the provisions of Section 4 hereof) after deducting the Cost of the property (or securities) to be released;

(3) an Opinion of Counsel stating the signer's opinion to the effect that, on the delivery to the Corporate Trustee of the certificates and other documents, if any, specified in such Opinion of Counsel, the conditions required by this Indenture precedent to the action requested by the Company to be taken by the Corporate Trustee have been complied with; and

(4) in case the Corporate Trustee is requested to release any franchise, an Opinion of Counsel complying with the requirements of Section 121 hereof and stating that in the opinion of the signer thereof such release will not impair to any material extent the right of the Company to operate any of its remaining properties."

## ARTICLE III

## DIVIDEND COVENANT

SECTION 8. The Company covenants and agrees that, so long as any of the bonds of the Eighty-fifth Series remain Outstanding, the Company will not declare or pay any dividends upon its common stock (other than dividends in common stock) or make any other distributions on its common stock or purchase or otherwise retire any shares of its common stock, unless immediately after such declaration, payment, purchase, retirement or distribution (hereinafter in this Section referred to as "Restricted Payments"), and giving effect thereto, the amount arrived at by adding

(a) the aggregate amount of all such Restricted Payments (other than the dividend of fifty cents (\$.50) per share declared on December 8, 1948 and paid on February 1, 1949 to holders of Common Stock) made by the Company during the period from December 31, 1948, to and including the effective date of the Restricted Payment in respect of which the determination is being made, plus

(b) an amount equal to the aggregate amount of cumulative dividends for such period (whether or not paid) on all preferred stock of the Company from time to time outstanding during such period, at the rate or rates borne by such preferred stock, plus

(c) an amount equal to the amount, if any, by which fifteen per centum (15%) of the Gross Operating Revenues of the Company for such period shall exceed the aggregate amount during such period expended and/or accrued on its books for maintenance and/or appropriated on its books out of income for property retirement, in each case in respect of the Mortgaged and Pledged Property and/or automotive equipment used primarily in the electric utility business of the Company (but excluding any provisions for amortization of any amounts included in utility plant acquisition adjustment accounts or utility plant adjustment accounts),

will not exceed the amount of the aggregate net income of the Company for said period available for dividends (computed and ascertained in accordance with sound accounting practice, on a cumulative basis, including the making of proper deductions for any deficits occurring during any part of such period), plus \$3,000,000.

The Company further covenants and agrees that not later than May 1 of each year beginning with the year 2006 it will furnish to the Corporate Trustee a Treasurer's Certificate stating whether or not the Company has fully observed the restrictions imposed upon it by the covenant contained in this Section 8.

## ARTICLE IV

## CERTAIN PROVISIONS WITH RESPECT TO FUTURE ADVANCES

SECTION 9. Upon the filing of this Seventy-fourth Supplemental Indenture for record in all counties in which the Mortgaged and Pledged Property is located, and until a further indenture or indentures supplemental to the Mortgage shall be executed and delivered by the Company to the Trustees pursuant to authorization by the Board of Directors of the Company and filed for record in all counties in which the Mortgaged and Pledged Property is located further increasing or decreasing the amount of future advances which may be secured by the Mortgage, as supplemented, the Mortgage, as supplemented, may secure future advances and other indebtedness and sums not to exceed in the aggregate \$2,500,000,000, in addition to \$2,468,725,000 in

aggregate principal amount of bonds to be Outstanding at the time of such filing, and all such advances and other indebtedness and sums shall be secured by the Mortgage, as supplemented, equally, to the same extent and with the same priority, as the amount originally advanced on the security of the Mortgage, namely, \$46,000,000, and such advances and other indebtedness and sums may be made or become owing and may be repaid and again made or become owing and the amount so stated shall be considered only as the total amount of such advances and other indebtedness and sums as may be outstanding at one time.

## ARTICLE V

### MISCELLANEOUS PROVISIONS

SECTION 10. Subject to any amendments provided for in this Seventy-fourth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Seventy-fourth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION 11. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Seventy-fourth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general each and every term and condition contained in Article XVI of the Mortgage shall apply to and form part of this Seventy-fourth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Seventy-fourth Supplemental Indenture.

SECTION 12. Subject to the provisions of Article XV and Article XVI of the Mortgage, whenever in this Seventy-fourth Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Seventy-fourth Supplemental Indenture contained by or on behalf of the Company or by or on behalf of the Trustees shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

SECTION 13. Nothing in this Seventy-fourth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the Outstanding bonds and coupons, any right, remedy or claim under or by reason of this Seventy-fourth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Seventy-fourth Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the Outstanding bonds and coupons.

SECTION 14. This Seventy-fourth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURES ON THE FOLLOWING PAGES]

The laws of South Carolina provide that in any real estate foreclosure proceeding a defendant against whom a personal judgment is taken or asked may within thirty days after the sale of the mortgaged property apply to the court for an order of appraisal. The statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing in connection with the transaction. THE COMPANY HEREBY WAIVES AND RELINQUISHES THE STATUTORY APPRAISAL RIGHTS, WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.

IN WITNESS WHEREOF, Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents or its Treasurer and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries, and The Bank of New York has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or Assistant Vice Presidents, and its corporate seal to be attested by one of its Vice Presidents, Assistant Vice Presidents or Assistant Secretaries and Douglas J. MacInnes has hereunto set his hand and affixed his seal, all as of the day and year first above written.

CAROLINA POWER & LIGHT COMPANY d/b/a  
PROGRESS ENERGY CAROLINAS, INC.

By: \_\_\_\_\_  
Thomas R. Sullivan  
Treasurer

ATTEST:

\_\_\_\_\_  
Patricia Kornegay-Timmons  
Assistant Secretary

Executed, sealed and delivered by  
CAROLINA POWER & LIGHT COMPANY  
d/b/a PROGRESS ENERGY CAROLINAS, INC.  
in the presence of:

\_\_\_\_\_  
Sarah C. Nelson

\_\_\_\_\_  
Kim C. Cross

[TRUSTEES' SIGNATURE PAGE FOLLOWS]

THE BANK OF NEW YORK, *as Trustee*

By: \_\_\_\_\_  
Mary LaGumina  
Vice President

ATTEST:

\_\_\_\_\_  
Geovanni Barris  
Vice President

\_\_\_\_\_  
DOUGLAS J. MACINNES (L.S.)

Executed, sealed and delivered  
by THE BANK OF NEW YORK  
and DOUGLAS J. MACINNES  
in the presence of:

\_\_\_\_\_  
Olusegun Fabiyi

\_\_\_\_\_  
Brian Rossi

[TRUSTEES' SIGNATURE PAGE]

[SEVENTY-FOURTH SUPPLEMENTAL INDENTURE DATED AS OF NOVEMBER 1, 2005  
TO THE CAROLINA POWER & LIGHT COMPANY MORTGAGE AND DEED OF TRUST  
DATED AS OF MAY 1, 1940]



On the 30<sup>th</sup> day of November, in the year of 2005, before me personally came THOMAS R. SULLIVAN, to me known, who, being by me duly sworn, did depose and say that he resides at 121 Loch Pointe Drive, Cary, North Carolina 27511; that he is the Treasurer of CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC., one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

STATE OF NORTH CAROLINA )  
 ) SS.:  
COUNTY OF WAKE )

On the 30<sup>th</sup> day of November, in the year of 2005, before me personally came PATRICIA KORNEGAY-TIMMONS, to me known, who, being by me duly sworn, did depose and say that she resides at 9404 Gabe Court, Raleigh, North Carolina 27613; that she is the Assistant Secretary of CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC., one of the corporations described in and which executed the above instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that she signed and attested her name thereto by the authority of the Board of Directors of said corporation.

Pamela P. Hensley  
NOTARY PUBLIC, State of North Carolina  
Johnston County  
My Commission Expires: \_\_\_\_\_

STATE OF NEW YORK           )  
   ) SS.:  
 COUNTY OF NEW YORK        )

On November 30, 2005 before me, the undersigned, personally appeared MARY LAGUMINA, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

I, William Cassels, a Notary Public of the State of New York, certify that MARY LAGUMINA personally came before me this day and acknowledged that she is a Vice President of THE BANK OF NEW YORK, as Trustee, a New York banking corporation, and that she, as Vice President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal, this the 30<sup>th</sup> day of November, 2005.

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William Cassels  
 Notary Public, State of New York  
 No. 01CA5027729  
 Qualified in Bronx County  
 Commission Expires May 18, 2006

STATE OF NEW YORK           )  
   ) SS:  
 COUNTY OF NEW YORK        )

On November 30, 2005 before me, the undersigned, personally appeared DOUGLAS J. MACINNES, as successor Individual Trustee, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

I, William Cassels, a Notary Public of the State of New York, do hereby certify that Douglas MacInnes, as successor Individual Trustee, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the 30<sup>th</sup> day of November, 2005.

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William Cassels  
 Notary Public, State of New York  
 No. 01CA5027729  
 Qualified in Bronx County  
 Commission Expires May 18, 2006

STATE OF NEW YORK            )  
   ) SS.:  
 COUNTY OF NEW YORK        )

On November 30, 2005 before me, the undersigned, personally appeared GEOVANNI BARRIS, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he signed and attested the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, signed and attested the instrument.

I, William Cassels, a Notary Public of the State of New York, certify that GEOVANNI BARRIS personally came before me this day and acknowledged that he is a Vice President of THE BANK OF NEW YORK, as Trustee, a New York banking corporation, and that he, as Vice President, being authorized to do so, signed and attested the foregoing on behalf of the corporation.

Witness my hand and official seal, this the 30<sup>th</sup> day of November, 2005.

---

William Cassels  
 Notary Public, State of New York  
 No. 01CA5027729  
 Qualified in Bronx County  
 Commission Expires May 18, 2006

**CAROLINA POWER & LIGHT COMPANY  
d/b/a PROGRESS ENERGY CAROLINAS, INC.**

First Mortgage Bonds  
5.25% Series due 2015

**UNDERWRITING AGREEMENT**

November 28, 2005

To the Representative named in Schedule I hereto  
of the Underwriters named in Schedule II hereto

Dear Ladies and Gentlemen:

The undersigned Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (the "Company") hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used herein shall be deemed to mean the firm or the several firms named in Schedule II of this Underwriting Agreement (the "Agreement") and any underwriter substituted as provided in paragraph 6, and the term "Underwriter" shall be deemed to mean any one of such Underwriters. If the firm or firms listed in Schedule I hereto (individually and collectively, the "Representative") are the same as the firm or firms listed in Schedule II hereto, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. Each Representative represents jointly and severally that they have been authorized by the Underwriters to execute this Agreement on their behalf and to act for them in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Securities. The Company proposes to issue and sell its First Mortgage Bonds of the designation, with the terms and in the amount specified in Schedule I hereto (the "Securities"), under its Mortgage and Deed of Trust, dated as of May 1, 1940, with The Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (Douglas J. MacInnes, successor), as Trustees, as supplemented and as it will be further supplemented by the Seventy-fourth Supplemental Indenture relating to the Securities (the "Seventy-fourth Supplemental Indenture"), in substantially the form heretofore delivered to the Representative, said Mortgage and Deed of Trust as supplemented and to be supplemented by the Seventy-fourth Supplemental Indenture being hereinafter referred to as the "Mortgage."

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (No. 333-103973) (the "New Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of \$1,000,000,000 principal amount of First Mortgage Bonds, Senior Notes and Debt Securities in unallocated amounts. The New Registration Statement also constituted post-effective amendment no. 1 to a registration statement on Form S-3 (No. 333-58800) (the "Post-Effective Amendment" and together with the New Registration Statement, the "Registration Statement") under the Securities Act relating to an aggregate of \$500,000,000 principal amount of the Company's securities, which had been previously registered under the Securities Act but remained unsold at the time the Post-Effective Amendment became effective. The Registration Statement contained a combined prospectus for the sale of up to an aggregate of \$1,500,000,000 principal amount of the Company's First Mortgage Bonds, Senior Notes and Debt Securities (the "Registered Securities") in unallocated amounts. The Registration Statement was declared effective by the Commission on April 4, 2003. As of the date hereof, the Company has sold an aggregate of \$1,100,000,000 principal amount of the Registered Securities. The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The combined prospectus included in the Registration Statement, as supplemented by a preliminary prospectus supplement, dated November 28, 2005, relating to the Securities, and all prior amendments or supplements thereto (other than amendments or supplements relating to Registered Securities other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Preliminary Prospectus." The combined prospectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Securities (the "Prospectus Supplement") and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Securities by the Underwriters; and any references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

(b) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement, the Prospectus and the Mortgage, as of the date hereof and at the Closing Date, will comply, in all material respects, with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable instructions, rules and

regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representative or by or on behalf of any Underwriter through the Representative expressly for use in the Prospectus or to any statements in or omissions from the Statements of Eligibility (Forms T-1 and T-2) of the Trustees. The Incorporated Documents, at the time they were filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder, and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Securities by the Underwriters will, at the time they are filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and, when read together with the Registration Statement and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of North Carolina; has corporate power and authority to own, lease and operate its properties and to conduct its business as contemplated under this Agreement and the other agreements to which it is a party; and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(d) The historical financial statements incorporated by reference in the Registration Statement and the Prospectus present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except that the quarterly financial statements, if any, incorporated by reference from any Quarterly Reports on Form 10-Q contain condensed footnotes prepared in accordance with applicable Exchange Act rules and regulations; and Deloitte & Touche LLP, which has audited certain of the financial statements is an independent registered public accounting firm as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Prospectus, since the respective dates as of which information is given in the Registration Statement and Prospectus, and prior to the Closing Date, (i) there has not been any material adverse change in the business, properties, results of operations or financial condition of the Company, (ii) there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and Prospectus or transactions arising in the ordinary course of business and (iii) the Company has no material contingent obligation that is not disclosed in the Registration Statement and Prospectus that could likely result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(f) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its restated charter (the "Charter"), by-laws and applicable law; and the Securities, when issued and delivered as provided herein, will constitute legal, valid and binding obligations of the Company in accordance with their terms subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting mortgagees' and other creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States); provided, however, that certain remedies, waivers and other provisions of the Securities may not be enforceable, but such unenforceability will not render the Securities invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustees to exercise their right to foreclose under the Mortgage.

(g) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(h) The Securities conform in all material respects to the description contained in the Prospectus.

(i) The Company has no subsidiaries that meet the definition of "significant subsidiary" as defined in Section 210.1-02(w) of Regulation S-X promulgated under the Securities Act.

(j) The Mortgage (A) has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Seventy-fourth Supplemental Indenture by the Trustees, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States); and (B) conforms in all material respects to the description thereof in the Prospectus. The Mortgage has been qualified under the 1939 Act.

(k) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(l) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against or affecting the Company or its properties that are likely in the aggregate to result in any material adverse change in the business, properties, results of operations or financial condition of the Company, or that are likely in the aggregate to materially and adversely affect the Mortgage, the Securities or the consummation of this Agreement or the transactions contemplated herein or therein.

(m) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions herein contemplated or for the due execution, delivery or performance of the Mortgage by the Company, except such as have already been made or obtained or as may be required under the Securities Act or state securities laws and except for the qualification of the Mortgage under the 1939 Act.

4. Purchase and Sale. On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective principal amount of Securities set forth opposite the name of such Underwriter in Schedule II hereto at the purchase price set forth in Schedule I hereto.

5. Reoffering by Underwriters. The Underwriters agree to make promptly a bona fide public offering of the Securities to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement.

6. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Securities shall be made at the place, time and date specified in Schedule I hereto against delivery of the Securities at the office of The Bank



of New York, Corporate Trust Department, 101 Barclay Street, Suite 8W, New York, New York, 10286 or such other place, time and date as the Representative and the Company may agree. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Securities shall be by wire transfer of immediately available funds against delivery to The Depository Trust Company or to The Bank of New York, as custodian for The Depository Trust Company, in fully registered global form registered in the name of CEDE & Co., as nominee for The Depository Trust Company, for the respective accounts specified by the Representative not later than the close of business on the business day prior to the Closing Date or such other date and time not later than the Closing Date as agreed by The Depository Trust Company or The Bank of New York. For the purpose of expediting the checking of the certificates by the Representative, the Company agrees to make the Securities available to the Representative not later than 10:00 A.M. New York time, on the last full business day prior to the Closing Date at said office of The Bank of New York.

(b) If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the principal amount of the Securities to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Securities set forth opposite their respective names in Schedule II hereto) the principal amount of Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to 10% of the principal amount of all Securities, each non-defaulting Underwriter shall do so on a pro rata basis according to the amounts set forth opposite the name of such non-defaulting Underwriter in Schedule II, and such non-defaulting Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the remaining principal amount of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Securities still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Securities on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 6, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Securities by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Securities other than the unpurchased Securities, then this Agreement shall terminate without any liability on the part of the Company or any Underwriter

(other than an Underwriter that shall have failed or refused, in accordance with the terms hereof, to purchase and pay for the principal amount of the Securities that such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 7 and paragraph 8 hereof.

7. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as reasonably possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424"), setting forth, among other things, the necessary information with respect to the terms of offering of the Securities. Upon request, the Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as originally filed, and of all amendments thereto, if any, heretofore or hereafter made (other than those relating solely to Registered Securities other than the Securities), including any post-effective amendment (in each case including all exhibits filed therewith and all documents incorporated therein not previously furnished to the Representative), including signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The Company will also send to the Underwriters as soon as practicable after the date of this Agreement and thereafter from time to time as many copies of the Prospectus and the Preliminary Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Securities as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's reasonable opinion (after consultation with counsel for the Representative) should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus that will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Securities, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or

supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earnings statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery by it of the Securities.

(e) As soon as reasonably possible after the Closing Date, the Company will cause the Seventy-fourth Supplemental Indenture to be recorded in all recording offices in the States of North Carolina and South Carolina in which the property intended to be subject to the lien of the Mortgage is located.

(f) The Company will advise the Representative, or the Representative's counsel, promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(g) The Company will use its best efforts to qualify the Securities, as may be required, for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; *provided, however*, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process, under the laws of any jurisdiction.

(h) Prior to the termination of the offering of the Securities, the Company will not file any amendment to the Registration Statement or supplement to the Prospectus which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Underwriter(s) or their counsel acting on behalf of the Underwriters.

8. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Securities under securities laws in

accordance with the provisions of paragraph 7(g), including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, such fees and disbursements not to exceed \$7,500, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, of the preliminary prospectuses, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey and (vii) the preparation, execution, filing and recording by the Company of the Seventy-fourth Supplemental Indenture (such filing and recordation to be promptly made after execution and delivery of the Seventy-fourth Supplemental Indenture to the Trustees under the Mortgage in the counties in which the mortgaged property of the Company is located); and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Securities and the filing and recordation of the Seventy-fourth Supplemental Indenture. The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of this paragraph 8 requiring payment by the Company of fees and disbursements not to exceed \$7,500); provided, however, that if this Agreement is terminated in accordance with the provisions of paragraph 9, 10 or 12 hereof, the Company shall reimburse the Representative for the account of the Underwriters for the fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in paragraph 7 hereof and in this paragraph 8. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Securities shall be subject to the accuracy of the representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date. The Representative shall have received, prior to payment for the Securities, a certificate dated the Closing Date and signed by the Chairman, President, Treasurer or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, orders of the North Carolina Utilities Commission and the Public Service Commission of South Carolina authorizing the issuance and sale of the Securities, none of which shall contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being understood that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams LLP, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) Dewey Ballantine LLP, counsel for the Underwriters, in each of which opinions (except Hunton & Williams LLP as to matters of North Carolina law and except as to subdivision (vi) (as to documents incorporated by reference, at the time they were filed with the Commission) as to which Dewey Ballantine LLP need express no opinion) said counsel may rely as to all matters of North Carolina and South Carolina law upon the opinions of Frank A. Schiller, Esq., Vice President of Progress Energy Service Company LLC, acting as counsel to the Company, and Nelson, Mullins, Riley & Scarborough, L.L.P., respectively, to the effect that:

(i) The Mortgage has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and is a valid and binding mortgage of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealing (with this opinion only required in the opinions of Hunton & Williams LLP and Dewey Ballantine LLP as to the supplemental indentures subsequent to the Sixty-fourth Supplemental Indenture); provided, however, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustees to exercise their right to foreclose under the Mortgage;

(ii) The Mortgage has been duly qualified under the 1939 Act;

(iii) Assuming authentication of the Securities by the Trustee in accordance with the Mortgage and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in this Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the security afforded by the Mortgage, and are secured equally and ratably with all other bonds outstanding under the Mortgage except insofar as any sinking or other fund may afford additional security for the bonds of any particular series;

(iv) The statements made in the Prospectus under the caption "Description of First Mortgage Bonds" and in the Prospectus Supplement under the captions "Certain Terms of the Bonds" and "Description of First Mortgage Bonds," insofar as they purport to constitute summaries of the documents referred to therein, are accurate summaries in all material respects;

(v) This Agreement has been duly and validly authorized, executed and delivered by the Company;

(vi) The Registration Statement, at the time and date it was declared effective by the Commission, and the Preliminary Prospectus and the Prospectus, as of their respective dates (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein and that part of the Registration Statement that constitutes the Statements of Eligibility on Form T-1 and Form T-2, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act; and

(vii) Nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to the attention of said counsel that would lead them to believe that (x) the Preliminary Prospectus, as of its date, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except as to financial statements and other financial and statistical data constituting a part of the Registration Statement, the Preliminary Prospectus or the Prospectus or incorporated by reference therein and that part of the Registration Statement that constitutes the Statements of Eligibility on Form T-1 and Form T-2, upon which such opinions need not pass);

(d) At the Closing Date, the Representative shall receive from Frank A. Schiller, Esq., Vice President of Progress Energy Service Company, LLC, acting as

counsel to the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i), (iii), (v) and subdivision (vii) of subparagraph (c) of this paragraph 9 as the opinions required by said subparagraph (c), and to the further effect that:

(i) The Company is a validly organized and existing corporation under the laws of the State of North Carolina and is in good standing under the laws of the State of North Carolina and is duly qualified to do business in the State of South Carolina;

(ii) The Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus;

(iii) The Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company;

(iv) The Company has good and marketable title, with minor exceptions, restrictions and reservations in conveyances, and defects that are of the nature ordinarily found in properties of similar character and magnitude and that, in his opinion, will not in any substantial way impair the security afforded by the Mortgage, to all the properties described in the granting clauses of the Mortgage and upon which the Mortgage purports to create a lien, except certain rights-of-way over private property on which are located transmission and distribution lines formerly owned by the Tide Water Power Company (merged into the Company on February 29, 1952), title to which can be perfected by condemnation proceedings. The description in the Mortgage of the above-mentioned properties (including those formerly owned by Tide Water Power Company) is legally sufficient to constitute the Mortgage a lien upon said properties, including without limitation properties hereafter acquired by the Company (other than those expressly excepted and reserved therefrom). Said properties constitute substantially all the permanent physical properties and franchises (other than those expressly excepted and reserved therefrom) of the Company and are held by the Company free and clear of all liens and encumbrances except the lien of the Mortgage and Excepted Encumbrances, as defined in the Mortgage. The Company has followed the practice generally of acquiring (i) certain rights-of-way and easements and certain small parcels of fee property appurtenant thereto and for use in conjunction therewith and (ii) certain other properties of small or inconsequential value, without an examination of title and, as to the title to lands affected by said rights-of-way and easements, of not examining the title of the lessor or grantor whenever the lands affected by such rights-of-way and easements are not of such substantial value as in the opinion of the Company to justify the expense attendant upon examination of titles in connection therewith. In the opinion of said counsel, such practice of the Company is consistent with sound economic practice and with the method

followed by other companies engaged in the same business and is reasonably adequate to assure the Company of good and marketable title to all such property acquired by it. It is the opinion of said counsel that any such conditions or defects as may be covered by the above recited exceptions are not, except as to certain rights-of-way on which are located transmission lines acquired from Tide Water Power Company, substantial and would not materially interfere with the Company's use of such properties or with its business operations. The Company has the right of eminent domain in the States of North Carolina and South Carolina under which it may, if necessary, perfect or obtain title to privately owned land or acquire easements or rights-of-way required for use or used by the Company in its public utility operations;

(v) The Company's Mortgage and Deed of Trust dated as of May 1, 1940 and the First through the Seventy-third Supplemental Indentures thereto have been filed for record both as a real estate mortgage and as a chattel mortgage or security interest in all counties in the States of North Carolina and South Carolina in which any of the property described in the Mortgage as subject thereunder to the lien thereof is located; and the Seventy-fourth Supplemental Indenture relating to the Securities is in proper form for filing for record both as a real estate mortgage and as a security interest in all counties in the States of North Carolina and South Carolina in which any of the property described therein or in the Mortgage as subject to the lien of the Mortgage is located. By virtue of filing financing statements with the Offices of the Secretaries of State of North Carolina and South Carolina, the Trustees have a perfected security interest in that portion of the collateral described therein to which Article 9 of the Uniform Commercial Code of North Carolina or South Carolina is applicable and in which a security interest is perfected by the central filing of a financing statement to perfect a security interest in collateral of a transmitting utility under the UCC;

(vi) The Mortgage constitutes a valid, direct and first mortgage lien of record upon all franchises and properties now owned by the Company (other than those expressly excepted therefrom and other than those franchises and properties which are not, individually or in the aggregate, material to the Company or the security afforded by the Mortgage) situated in the States of North Carolina and South Carolina, as described or referred to in the granting clauses of the Mortgage, subject to the exceptions as to bankruptcy, insolvency and other laws stated in subdivision (i) of subparagraph (c) above;

(vii) The issuance and sale of the Securities have been duly authorized by all necessary corporate action on the part of the Company;

(viii) Orders have been entered by the North Carolina Utilities Commission and the Public Service Commission of South Carolina authorizing the issuance and sale of the Securities, and to the best of the knowledge of said counsel, said orders are still in force and effect; and no further filing with, approval, authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be



required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement;

(ix) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Mortgage, the Securities or the consummation of this Agreement, or the transactions contemplated herein or therein; and

(x) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on business, properties, results of operations or financial condition of the Company.

In said opinion such counsel may rely as to all matters of South Carolina law on the opinion of Nelson, Mullins, Riley & Scarborough, L.L.P.

(e) At the Closing Date, the Representative shall receive from Nelson, Mullins, Riley & Scarborough, L.L.P., Columbia, South Carolina, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the States of South Carolina and North Carolina, and the Company conducts its South Carolina retail operations subject to the jurisdiction of the South Carolina Public Service Commission pursuant to South Carolina Code Annotated, Sections 58-27-10 et seq. (1976 as amended);

(ii) The Company is duly qualified to transact business in the State of South Carolina;

(iii) The Company's Mortgage and Deed of Trust dated as of May 1, 1940, and the First through the Seventy-third Supplemental Indentures thereto, have been recorded and filed in such manner and in such places as may be required by law, in the State of South Carolina, in order to fully preserve and protect the security of the bondholders and all rights of the Trustees thereunder. By virtue of filing financing statements with the Offices of the Secretaries of State

of North Carolina and South Carolina, the Trustees have a perfected security interest in that portion of the collateral described therein to which Article 9 of the Uniform Commercial Code of North Carolina or South Carolina is applicable and in which a security interest is perfected by the central filing of a financing statement to perfect a security interest in collateral of a transmitting utility under the UCC;

(iv) The Seventy-fourth Supplemental Indenture relating to the Securities is in the proper form for the filing as a real estate mortgage and a security agreement in all counties in the State of South Carolina where the Mortgage is filed and the Seventy-fourth Supplemental Indenture is to be filed and upon such filing creates a lien and/or security interest in that property located within such counties that is described in the Mortgage or in the Seventy-fourth Supplemental Indenture as being subject to the lien of the Mortgage (except that property which has been expressly excepted from the lien in the Seventy-fourth Supplemental Indenture and the Mortgage, as heretofore supplemented); and

(v) Said counsel has reviewed the opinion letter of even date therewith addressed to you by Frank A. Schiller, Esq., Vice President of Progress Energy Service Company, LLC, and said counsel concurs in the opinions which Mr. Schiller has expressed therein insofar as they relate to the laws of the State of South Carolina.

(f) The Representative shall have received on the date hereof and shall receive on the Closing Date from Deloitte & Touche LLP, a letter addressed to the Representative containing statements and information of the type ordinarily included in accountants' SAS 72 "comfort letters" to underwriters with respect to the audit reports, financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

(g) At the Closing Date, the Representative shall receive a certificate of the Chairman, President, Treasurer or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(h) All legal proceedings taken in connection with the sale and delivery of the Securities shall have been satisfactory in form and substance to counsel for the Underwriters, and the Company, as of the Closing Date, shall be in compliance with any governing orders of the North Carolina Utilities Commission and the Public Service Commission of South Carolina, except where the failure to comply with such orders would not be material to the offering or validity of the Securities.

In case any of the conditions specified above in this paragraph 9 shall not have been fulfilled or waived by 2:00 P.M. on the Closing Date, this Agreement may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

10. Conditions of the Company's Obligations. The obligations of the Company to deliver the Securities shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date, and no proceedings for that purpose shall be pending before or threatened by the Commission on the Closing Date.

(b) Prior to 12:00 Noon, New York time, on the day following the date of this Agreement, or such later date as shall have been consented to by the Company, there shall have been issued and on the Closing Date there shall be in full force and effect orders of the North Carolina Utilities Commission and the Public Service Commission of South Carolina authorizing the issuance and sale by the Company of the Securities, none of which shall not contain any provision unacceptable to the Company by reason of its being materially adverse to the Company (it being understood that no such order in effect as of the date of this Agreement contains any such unacceptable provision).

In case any of the conditions specified in this paragraph 10 shall not have been fulfilled at the Closing Date, this Agreement may be terminated by the Company by delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

11. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director of each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each such Underwriter, each such officer and director, and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement, the Preliminary Prospectus or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that the indemnity agreement contained in this paragraph 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by any Underwriter through the Representative expressly for use in the Registration Statement, the Preliminary Prospectus or the Prospectus, or any amendment or supplement to any thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statements of Eligibility under the 1939

Act (Form T-1 and Form T-2) of the Trustees, and provided, further, that the indemnity agreement contained in this paragraph 11 shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Securities to any person if a copy of the Prospectus (excluding documents incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter with or prior to the written confirmation of the sale involved, unless such Prospectus failed to correct the omission or misstatement. The indemnity agreement of the Company contained in this paragraph 11 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, and such officer or director or any such controlling person and shall survive the delivery of the Securities. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such officer or director or any such controlling person, in connection with the sale of the Securities.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers who signed the Registration Statement and its directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Preliminary Prospectus or the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by such Underwriter or through the Representative on behalf of such Underwriter expressly for use in the Registration Statement, the Preliminary Prospectus or the Prospectus or any amendment or supplement to any thereof. The indemnity agreement of all the respective Underwriters contained in this paragraph 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such officer or director or any such controlling person, and shall survive the delivery of the Securities. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers or directors, or any such controlling person, in connection with the sale of the Securities.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers or directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on

account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The Company and each of the Underwriters agree that the notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; provided, however, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to one local counsel) representing the indemnified parties who are parties to such action). Each of the Company and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Agreement, unless such settlement, compromise or consent (i) includes an unconditional release of such other party from all liability arising out of such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such other party.

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative

benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions that resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subparagraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this subparagraph (d). The rights of contribution contained in this Section 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter of the Company and shall survive delivery of the Securities. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each officer and director of each underwriter and each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this subparagraph (d) are several in proportion to the number of Securities set forth opposite their respective names in Schedule II hereto and not joint.

(e) For purposes of this paragraph 11, it is understood and agreed that the only information provided by the Underwriters expressly for use in the Registration Statement and Prospectus were the following parts of the section titled "Underwriting": the third paragraph, the third sentence of the fourth paragraph, the fifth paragraph, the sixth paragraph, the seventh paragraph and the eighth paragraph.

12. Termination Date of this Agreement. This Agreement may be terminated by the Representative at any time prior to the Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by

any federal or state agency or by the decision of any court, any limitation on prices for such trading or any restrictions on the distribution of securities or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, significant escalation of hostilities that existed prior to the date of this Agreement, or any national or international calamity or crisis, or any material adverse change in the financial markets of the United States, the effect of which outbreak, escalation, calamity or crisis, or material adverse change on the financial markets of the United States shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Securities, or (c) the Company shall have sustained a substantial loss by fire, flood, accident or other calamity that renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price, or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Securities, or any of the Company's other outstanding debt, the effect of which in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price or (e) there shall have been declared, by either federal or New York authorities, a general banking moratorium. This Agreement may also be terminated at any time prior to the Closing Date if in the reasonable judgment of the Representative the subject matter of any amendment or supplement to the Registration Statement or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement shall have materially impaired the marketability of the Securities. Any termination hereof pursuant to this paragraph 12 shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

13. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 11 hereof, the officers and directors and each controlling person referred to in paragraph 11 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

14. Nature of Relationship. The Company acknowledges and agrees that (i) in connection with all aspects of each transaction contemplated by this Underwriting Agreement, the Company and the Underwriters have an arms length business relationship that creates no fiduciary duty on the part of any party and each expressly disclaims any fiduciary relationship, (ii) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (iii) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and

tax advisors to the extent it deemed appropriate, and (iv) any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

15. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representative at the address set forth in Schedule I hereto and if to the Company, shall be mailed or delivered to it at 410 South Wilmington Street, Raleigh, North Carolina 27601, Attention: Thomas R. Sullivan, Treasurer.

16. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

17. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Underwriting Agreement shall have the meanings assigned to them in the Registration Statement.

*[The remainder of this page has been intentionally left blank]*



**EXHIBIT B**

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

**CAROLINA POWER & LIGHT COMPANY**  
**d/b/a PROGRESS ENERGY CAROLINAS, INC.**

By: \_\_\_\_\_  
Thomas R. Sullivan  
Vice President and Treasurer

Accepted as of the date first  
above written, as Underwriter  
named in, and as the Representative  
of the other Underwriters named in, Schedule II.

**J.P. MORGAN SECURITIES INC.**

By: \_\_\_\_\_  
Authorized Representative

**WACHOVIA CAPITAL MARKETS, LLC**

By: \_\_\_\_\_  
Authorized Representative

## **SCHEDULE I**

Underwriting Agreement dated November 28, 2005

Representatives and Addresses: J.P. Morgan Securities Inc.  
270 Park Avenue  
New York, New York 10017  
Attention: High Grade Syndicate Desk -- 8<sup>th</sup> Floor

Wachovia Capital Markets, LLC  
One Wachovia Center, DC-7  
301 South College Street  
Charlotte, North Carolina 28288  
Attention: Syndicate Desk

Supplemental Indenture: Seventy-fourth Supplemental Indenture, dated as of November 1, 2005

Designation: First Mortgage Bonds, 5.25% Series due 2015

Principal Amount: \$400,000,000

Date of Maturity: December 15, 2015

Interest Rate: 5.25% per annum, payable June 15 and December 15 of each year, commencing June 15, 2006.

Purchase Price: 99.008% of the principal amount thereof, plus accrued interest, if any, from November 30, 2005, if settlement occurs after that date.

Public Offering Price: 99.658% of the principal amount thereof, plus accrued interest, if any, from November 30, 2005, if settlement occurs after that date.

Redemption Terms: Optional—redeemable prior to maturity, at any time in whole or from time to time in part, at the option of the Company at a make-whole redemption price (as defined and described in further detail in the Prospectus Supplement).

Closing Date and Location: November 30, 2005

Hunton & Williams LLP  
One Bank of America Plaza, 14<sup>th</sup> Floor  
Raleigh, North Carolina 27601

## **SCHEDULE II**

<b><u>Underwriter</u></b>	<b><u>Principal Amount</u></b>
J.P. Morgan Securities Inc. ....	\$130,000,000
Wachovia Capital Markets, LLC .....	130,000,000
Lazard Capital Markets LLC .....	40,000,000
Greenwich Capital Markets, Inc. ....	40,000,000
BNY Capital Markets, Inc.....	20,000,000
Deutsche Bank Securities Inc. ....	20,000,000
Goldman, Sachs & Co.....	<u>20,000,000</u>
<b>Total.....</b>	<b><u>\$400,000,000</u></b>